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ARAB STATES - ISRAEL: Both military fronts remained relatively quiet yesterday, with only scattered and intermittent exchanges of small arms fire reported. The Israeli-Egyptian POW exchange continued with no significant hitches and, according to a Red Cross official, will be completed tomorrow. According to press reports, three joint Egyptian-Israeli military recovery teams are searching the Sinai desert for missing troops.

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General Aharon Yariv, who has headed the Israeli team in the cease-fire talks with the Egyptians, may be replaced soon. Yariv is a Knesset candidate on Mrs. Meir's Labor Party list and, according to Israeli law, must leave the military to campaign.

The Israeli cabinet met in emergency session yesterday to discuss developments regarding the mutual pull-back of forces on the Egyptian front, according to press accounts. The cabinet session followed a lengthy late night meeting of Prime Minister Meir, Deputy Prime Minister Allon, Defense Minister Dayan, and General Yariv, who just returned from talks with the Egyptians at Kilometer 101.

Lebanese ex-prime minister Saeb Salaam talked yesterday with the US ambassador to Lebanon about Salaam's recent two-week swing through Egypt, Saudi Arabia, and Kuwait, and his talks with fedayeen leaders. Salaam noted that a revolutionary change has occurred in the Arab outlook toward Israel. He found Egyptian, Saudi, and Kuwaiti leaders eager for peace. Even some extremist fedayeen leaders now appear ready to make peace with Israel, he claimed. The Arabs, he said, consider their honor vindicated after last month's war, with only Libya and Iraq holding out. The US, he urged, should take advantage of this favorable psychological climate among the Arabs to press ahead with efforts

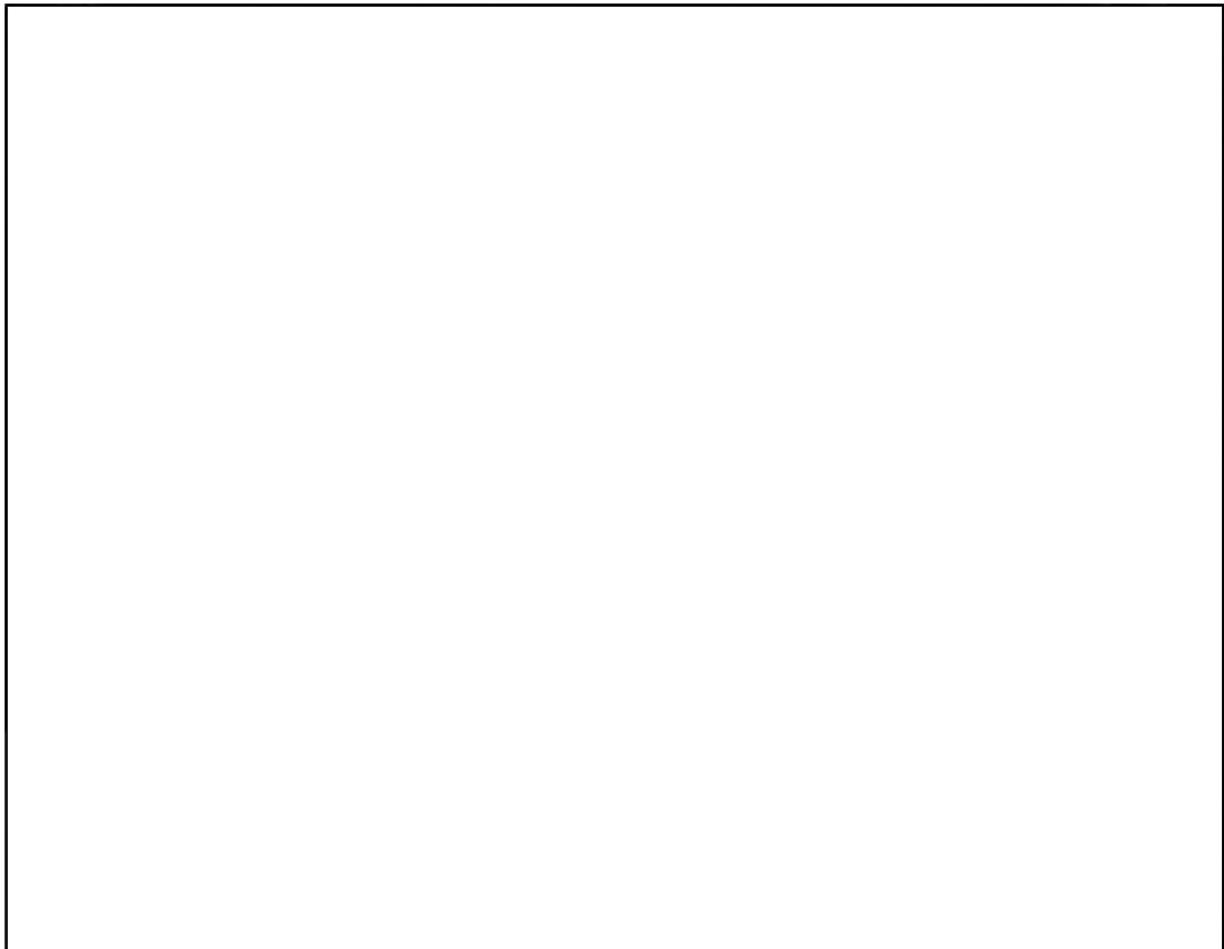
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to achieve a durable peace. Should the effort to achieve a reasonable settlement with Israel fail, Salaam warned, a serious Arab backlash would occur, including a further recourse to war.



LIBYA: President Qadhafi has decided to follow up his talks in Belgrade with a five-day visit to Paris beginning 22 November. Judging from the composition of his delegation, Qadhafi is shopping for military hardware and assistance in exchange for assurances of oil supplies. Libya's intransigence on the Middle East, however, is likely to be the main focus of discussions in both European capitals.

This is Qadhafi's first trip outside the Arab world since he took power in 1969. Until now, Qadhafi has shown little interest and some apprehension about leaving the Middle East and has always allowed Prime Minister Jallud to represent Libya in European capitals. The Libyan leader's decision to undertake this mission may reflect his urgent determination to present personally his militant position on the Arab-Israeli issues. He considers Yugoslavia and France to be Europe's most independent states, and he may believe they will be receptive to his arguments against great power sponsorship of a settlement.

The trip may also have been designed to underscore Libya's disregard for current peace efforts. Qadhafi reportedly will wind up his stay in France with a major press conference on 26 November, the date set for the Arab summit in Algiers. Qadhafi may hope to divert attention from the summit, which he recently denounced as a facade for rubber-stamping what has already been decided in Cairo.  

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NETHERLANDS: The Dutch Government is seeking to mitigate the effects of the oil boycott by re-establishing a dialogue with the Arab states and by pressing its EC partners for greater cooperation.

The Foreign Ministry on 19 November submitted a White Paper to parliament on the oil crisis with the primary objective of trying to convince the Arabs that The Hague has conducted an "even-handed" policy in the Middle East. The document reiterates support for UN Resolution 242 and mentions the need to give some form to the political aspirations of the Palestinians. The paper also invites representatives of Arab oil-producing states to The Hague to discuss differences.

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The unwillingness of other EC members to assist the Dutch in coping with the embargo has prompted parliamentary proposals for retaliation. Prime Minister den Uyl, in fact, has warned that if the EC members refuse to share their oil, the Netherlands may ban exports of natural gas to Western Europe.

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Some crude oil apparently is still being transshipped through the Netherlands, but the Arab states have established a special monitoring team to ensure that these shipments are not diverted to Dutch refineries.

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PAKISTAN-AFGHANISTAN: Prime Minister Bhutto's remarks during his tour of tribal areas near the Afghan border have further embittered relations with Kabul. Although there are differing versions of what Bhutto said, he clearly used strong language to warn the Afghans against further pressure on Pakistan. Officials in Kabul characterize his remarks as "completely unacceptable" and "deliberately provocative." Relations between the two countries have been poor since President Daoud--a long-time advocate of independence for Pakistan's two frontier provinces--came to power last summer.

According to a Pakistan Foreign Ministry official, Bhutto's remarks reflected his conviction that a policy of "restraint" was only encouraging Afghan provocations and that the time has come for a firm reminder that Pakistan will not tolerate interference in its domestic affairs. The official asserted that these provocations include an increase in anti-Pakistan propaganda, personal attacks on Bhutto, a marked increase in the number of Afghan agents in contact with Pakistani tribes, and Kabul's support for an exiled opposition leader who is allegedly organizing a tribal insurrection.

The exchange of insults and other provocations is likely to continue. Neither country wishes to risk an armed confrontation, but as tensions rise the chances for miscalculation or overreaction become greater.

JAPAN: The Bank of Japan has recalled \$650 million in loans to commercial banks to limit the loss of official holdings of foreign exchange. The central bank had deposited about \$5.5 billion with commercial banks to restrain the rise in official holdings last year when large balance-of-payments surpluses were being recorded. A \$7-billion balance-of-payments deficit was recorded in the first ten months of this year, and the Bank of Japan is trying to cushion the impact on foreign exchange reserves by calling in some of these loans. In order to repay the central bank, the commercial banks are borrowing heavily in the Eurodollar market, contributing to a rise in Eurodollar interest rates.

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TRINIDAD AND TOBAGO: Former attorney general Hudson-Phillips has emerged as Prime Minister Williams' most likely successor. In its convention scheduled for 2 December, the People's National Movement (PNM) will choose a new party leader who will also become the new prime minister shortly thereafter.

Williams, who has been Prime Minister since independence was achieved in 1962, announced his intention to retire from public life two months ago. The battle for control of the party has begun to divide primarily along racial lines. Hudson-Phillips has the solid support of the black majority in the party, while his principal challenger, Minister of Health and Local Government Kamaluddin Mohammed, attracts the East Indian minority. Mohammed reportedly considered bolting the PNM when he became convinced that he could not win, but he was unable to develop support for the creation of an East Indian party.

Since blacks and East Indians each make up about 40 percent of the population, a defection by Mohammed and his supporters would tend to polarize the political system along racial lines and reduce PNM prospects in the next elections. Hudson-Phillips is aware of this, and probably will offer the position of deputy prime minister to Mohammed in an effort to retain his support. Under the present system, elections must be held by mid-1976, but Hudson-Phillips probably will feel compelled to seek a popular mandate within a year.  

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## FOR THE RECORD\*

Finland: Finland--the last member of the European Free Trade Association to do so--has ratified a free trade agreement with the European Communities. This agreement will increase the duty-free market for Finland's European exports by over 150 percent.

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Romania-Greece: The Greek Government has postponed indefinitely the visit of Romanian President Ceausescu, scheduled for 21-24 November.

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Surinam: The underdog, creole-based National Party Combination won the national election on 19 November, according to a preliminary count. The unexpectedly high turnout among creole voters worked against the favored Hindustani Progressive Reformed Party.

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*\*These items were prepared by CIA without consultation with the Departments of State and Defense.*

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